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that a heavier burden should be imposed on Germany, but it is none the less true that the period of the enormous deficit for France may last a very long time. Yesterday (February 6, 1921), the Premier, M. Briand, in the Chambre, contemplated the eventuality of an annual loan of a dozen billions for about ten years, which would increase our public debt to a figure of more than 400 billion francs! Let us

hope that we shall avoid such a calamity, a calamity that can only be avoided when France finds a way to discount the annuities that are to fall due, in the form of some capital that can be immediately realized. For this there is needed someone who would be willing to advance the money owed by Germany, and there is no one but the United States that could assume this rôle of saviour.

## The Sources of the Receipts of the French Government in 1920

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THE year 1920 marks in France a very important date. Taxes were suddenly carried to an enormous figure. New taxes of more than eight billions (estimated) were created by the laws of June 25, 1920, and of July 31, 1920. The budget for 1920 valued the "ways and means applicable to the ordinary budget for the 1920 period" at the total of 21,770 million francs. The budget voted July 15, 1914 foresaw receipts for 5,191.6 million francs (against 5,191.6 million francs in expenditures); but in the receipts, the loans amounted to 298 million francs and moreover there was expected an exceptional receipt of 112.5 million francs. For 1913, the receipts expected had been 4,738.8 million francs. At any rate, the following is a comparative table of the expenditures and receipts executed from 1903 to 1912 (in millions of francs).

Period	Receipts	Expenditures	Surplus or Deficiency
1903	3,667.6	3,597.2	+70,330.5
1904	3,739.0	3,638.5	+100,522.2
1905	3,766.3	3,706.8	+59,508.0
1906	3,837.0	3,852.0	-15,009.3
1907	3,968.4	3,880.2	+88,126.9

1908	3,966.4	4,020.5	-54,144.6
1909	4,140.9	4,186.6	-45,177.5
1910	4,273.9	4,321.9	-48,027.8
1911	4,689.0	4,547.9	+141,130.1
1912	4,857.5	4,742.8	+114,735.1

And here is seen the important progression of the receipts of the government between years anterior to 1914 and 1920:

1914	5,191.6 millions in 1914 (estimated)
1920	21,770.0 millions in 1920 (estimated)

16,578.4 million francs increase

Moreover, in the increase, there are a certain number of billions which do not represent, strictly speaking, receipts, *e.g.*, the liquidation of war stocks for four billion francs. During the period 1914-1919, no budget was voted. The Chambres simply granted the government large votes of credit in confidence, called *provisional credits*.<sup>1</sup> The *budget of receipts* was not made out. Moreover, the accounts of the war period are very

<sup>1</sup> The first step in a return to the regular budget methods was the vote of the law of August 12, 1919, fixing the ordinary *budget* of civil services of the fiscal period 1919. There was no estimate of receipts.

late, so that it is impossible to say just what was the amount of the receipts executed. In his report of July 10, 1920, Senator Paul Doumer, at present minister of finances, valued as follows the receipts executed from August 1, 1914 to July 1, 1920 (in millions of francs):<sup>2</sup>

Last five months of 1914	1,238.8	1917	5,811.3
Fiscal year 1915	4,113.4	1918	6,986.8
“ “ 1916	4,640.8	1919	10,176.8
6 first months of 1920			6,637.5

These data show how great was the load that was suddenly put, in 1920, on the shoulders of French taxpayers.

It is necessary to add the local burdens (departments and communes), which are quite considerable. In the absence of recent documents, it is impossible to say exactly what it is. All that is known is that it is formidable.<sup>3</sup> Therefore, the figures resulting from the budget of the government only give a very inexact idea of the matter.

#### CLASSIFICATION OF RECEIPTS ACCORDING TO THEIR SOURCE

The French budget classifies receipts with very little system. There is no scientific criterion. The classification of the 1920 budget (in millions of francs) follows:

I. Proceeds collectible in France:	
(a) Taxes and revenues	10,407.1
(b) Proceeds of industrial monopolies and exploitations of the government	1,998.4
(c) Proceeds and revenues from government property	142.7
(d) Receipts from public funds	489.6
(e) Divers proceeds from the budget	235.6
(f) Extra resources	8,415.0
II. Proceeds collectible in Alsace-Lorraine	76.0
III. Proceeds collectible in Algeria	5.9
Total of the ways and means applicable to the ordinary budget of the 1920 fiscal year	21,770.3

<sup>2</sup> Report on the general budget of the fiscal year 1920 period, Senate, No. 339, p. 14.

<sup>3</sup> For the city of Paris alone, there were created in 1919, 197 million new receipts, and in 1920, 115 million new receipts; a total of 312

It is difficult to adopt a satisfactory criterion of classification of receipts. Those that are usually observed in the political discussions in Parliament are arbitrarily chosen to justify a certain thesis. What one ordinarily sees proved is either that the indirect taxes are too severe in relation to the direct

taxes, this being the thesis of the socialists or radicals; or else, that the indirect taxes and the direct taxes are properly divided, about one-half or 50 per cent, this being the thesis of the government and the conservatives.

On the other hand, it is known that in each country the expression "direct taxes" has a technical sense, which does not correspond to any scientific criterion. In France, any tax collected by means of a roll of names (*rôle nominatif*) is called direct tax. Hence, the same tax may pass from the class of direct taxes to that of indirect taxes, when it is no longer collected by a roll of names. It is thus that in French terminology the taxes on the revenue of personal property (securities) is *not* a direct tax, nor is the inheritance tax

millions in the space of two years. They are expecting to fix in 1921 an additional burden of more than 100 millions, necessary in reestablishing equilibrium.

(death duties). However, in the great majority of countries and for all theorists of public finances the two taxes are essentially *direct* taxes. Likewise, the extra tax on war profits (excess profits duty) is, in French administration, a direct tax. Finally, the French Government does not make any scientific distinction between taxes

and duties (fees). It would be possible to multiply examples. The official classification should not be overlooked in grouping taxes and receipts. Here are the chief sources of receipts offered according to a grouping which is in no way severe, as they were expected for 1920 (in millions of francs). No important changes are proposed for 1921.

I. Taxes on the revenue from capital	
Land tax (lands)	254.7
Constructed property (houses)	151.6
Revenue of personal property (securities)	313.7
Revenue of credits, deposits and securities	27.5
Rent from the mines	15.1
II. Taxes on the revenues from commerce and industry	
Extra tax on war profits <sup>4</sup>	4,000.0
Commercial and industrial profits	500.0
Tax on patents, individual and commercial profits	14.4
III. Tax on profits from agricultural exploitation	30.0
IV. Taxes on salaries, indemnities and emoluments, wages, pensions	55.0
Profits from non-commercial exploitations (lawyers, doctors, etc.)	8.0
V. General tax on revenue	800.0
Tax on rents of houses	5.3
Tax on doors and windows	3.5
VI. Luxury taxes	
Carriages, horses, mules	18.3
Billiards	1.6
Clubs, societies and meeting places	1.3
Automobiles	37.0
Game-keepers	0.6
Guarantee from articles of silver and gold	13.7
Playing cards	2.5
VII. Taxes on capital:	
Donations	22.1
Inheritance	478.6
Mortmain property	44.3
VIII. Taxes on business	
Transfers of property	712.3
Recording agreements, deeds, etc.	268.6
Mortgages	18.0
Capital insured against fire	5.2
Stamp duty	320.7
Exchange transactions	16.1
IX. Taxes on payments	
Special tax on payments	516.2
Amount of business	2,084.3 <sup>5</sup>
X. Custom-house	1,770.0 <sup>6</sup>

<sup>4</sup> In arrears and current year. The tax is now repealed.

<sup>5</sup> The expectations were much greater than the collections. The lowest value in the collections was more than 60 per cent, more than one billion francs.

<sup>6</sup> Not including the tax on salt.

XI. Consumption taxes	
Beverages (wines, ciders, beers)	504.5
Alcohols	430.7
Mineral waters	6.5
Vinegars	6.0
Drug specials	14.5
Licenses from dealers in beverages, etc.	46.5
Chicoree and other succedaniums of coffee	29.3
Mineral oils, petroleum, gasoline	8.5
Candles	4.1
Salts	31.7
Transportation by railroad	350.0
Transportation by other vehicles	3.3
Theatrical performances	20.0
Sugars and saccharine	367.2
XII. Industrial monopolies and exploitations of the government	
Matches	73.4
Flints	1.6
Tobaccos	975.0
Powder for fire arms	14.2
Other exploitations	4.5
Railroads in Morocco	12.0
XIII. Postal, telegraph and telephone systems	
Postal System	591.8
Telegraph System	163.3
Telephone System	174.8
XIV. Property of the government other than the forests	90.1
Forests	52.5
XV. Duties (fees) <sup>7</sup>	150.0
XVI. Extra resources	
Proceeds from the liquidation of war stocks or materials	2,915.0
Previous deduction on the surpluses 1920 <sup>8</sup>	1,500.0

These are estimates of reports, according to the general report of the deputy, Mr. Charles Dumont, on the budget of 1921 (January 12, 1922, No. 2,002, p. 12), the proceeds executed from January 1 to December 31, 1920, were lower than the expectations.

The collections amounted to 17,587 million francs, viz: there remained to

<sup>7</sup> The figure carried under this head is only approximate; it includes a certain number of receipts classed by the budget as taxes for the testing of weights and measures, measures for alcohol, measures for densities, taxes for visits to drug stores, rents of all kinds, university rents, etc. etc.

<sup>8</sup> This signifies that at the time when the budget was voted for (July 31, 1920), the receipts, on the basis of the existing taxes, from January 1 to July 31, 1920, had given a superior value (on the estimates) of 1,500.0 million francs.

be collected in virtue of the 1920 period 2,357 millions.<sup>9</sup>

#### Collections:

Direct taxes and assimilated taxes	757.0
Extra taxes on war profits	2,393.6
Recording	2,778.0
Stamps	515.9
Exchange transactions	24.6
Tax on the revenue of personal property	567.5
Special tax on payments	804.4
Tax on the amount of business	942.2
Custom-house	1,591.5

<sup>9</sup> That includes the taxes on the revenues of capital, commerce and industry, with the exception of the tax on war profits, of wages, the general tax on the revenue of several luxury taxes, but not the tax on the revenue on personal property.

Indirect contributions <sup>10</sup>	1,699.4
Colonial commodities <sup>11</sup>	141.6
Salts	33.2
Sugars	429.5
Essences, petroleum, gasoline	39.3
Monopolies	1,586.3
Postal, telegraph, telephone systems and various exploitations	915.8
Property of the government	144.1
Order receipts and various proceeds	583.9
Liquidation of French stocks (articles) <sup>12</sup>	1,649.6
<b>Total</b>	<b>17,587.4</b>

The rest to be collected for 1920 would amount to 2,357 million francs, namely:

Direct contributions	302.0 millions
General tax and taxes on the revenues <sup>13</sup>	1,100.0
Tax on war profits	945.0
In all, for the direct taxes and assimilated taxes, there was expected	1,922.6
There was collected or there remains due	2,159.0
For the extra war profits tax, there was expected	4,000.0
There was collected or there remained	3,338.6

There is here a large deficit. For the consumption taxes, the largest deficit is that of the tax on the amount of business. There was expected for the last five months of 1920 (the tax was only applied counting from July 1, 1920; it is collected each month on the business of the preceding month), 2,082 million francs. These are the results (in millions of francs):

	Proceeds	Estimates
July, August, 1920	292.8	700.0
September	234.4	460.0
October	205.5	460.0
November	203.2	462.3
<b>Total</b>	<b>935.9</b>	<b>2,082.3</b>

<sup>10</sup> Excise.

<sup>11</sup> Including tobaccos.

<sup>12</sup> The liquidation of American stocks furnished 870 million francs. This is not a receipt of the budget.

<sup>13</sup> The lists of taxes for 1920 could not be put on collection until the end of 1920 or the beginning of 1921.

The deficit is 1,146 million francs, that is 55 per cent of the income expected. For the other taxes and the monopolies, the collections noticeably exceeded the estimates.

#### GENERAL ORIENTATION OF THE FISCAL SYSTEM

The Allied experts at the technical conference of Brussels on reparations, sent to their governments a common report on the comparative fiscal burden in Germany, France, Italy and the United Kingdom.<sup>14</sup> It is stated there, in regard to France: "Total amount of permanent and extra taxes, 15,471 million francs, corresponding to 390

francs per capita, 169 francs in permanent direct taxes and 120 francs in indirect taxes." It is not easy to see how the Allied experts arrived at this statement. The French fiscal system is thought to give a preponderant place to indirect taxes. According to the experts, the direct taxes would be much greater than the indirect taxes (about three-fifths of the total of taxes). And so, what is the criterion of classification adopted by the experts? It does not fit in with the table of receipts of the government for 1920.<sup>15</sup>

The main characteristic of the present French fiscal system is the enormity of the consumption taxes established in the course of recent years. The pro-

<sup>14</sup> *Le Temps* (*The Times*), Feb. 5, 1921.

<sup>15</sup> According to the same experts, in Great Britain the direct taxes would be five-eighths of the whole amount of the taxes, so that the proportion would be about the same in France as in England. This is certainly a mistake.

testations of the socialist and radical parties against this policy have been energetic, but without success. The taxes on capital occupy a very modest place, the inheritance and donation taxes only furnish 500 million francs. The most favored class of society is that of the peasants. Their agricultural profits are considerable: their assessment is small, and yet it was raised to enormous proportions in

1920. It seems that maximum imposition on the French people has been reached. It is in the direction of a more equitable division of the burden among the classes of society that changes must be brought about. Nevertheless in March 1921 Senator Cheron, reporting for the Finance Commission, showed the necessity of collecting additional billions of taxes in 1922 to bring about equilibrium.